

We Claim:

- 1 1. A method for the creation of backed derivatives, comprising the steps of:
 - 2 (a) depositing a collateral in a clearinghouse firm;
 - 3 (b) electronically advising a custodian firm of the deposit;
 - 4 (c) monitoring in real-time for the continued presence of the collateral in the
 - 5 clearinghouse firm; and
 - 6 (d) authorizing a depository firm to issue a set of derivatives if the continued presence
 - 7 of the collateral is confirmed.
- 1 2. The method of claim 1, wherein the monitoring step comprises transferring electronic
- 2 confirmations between the clearinghouse firm and the custodian firm, the electronic
- 3 confirmations confirming the continued presence of the collateral in the clearinghouse
- 4 firm.
- 1 3. The method of claim 2, wherein the authorizing step is performed if the electronic
- 2 confirmations indicate the continued presence of the collateral in the clearinghouse firm.
- 1 4. The method of claim 1, including the additional step of charging a commission for each
- 2 deposited collateral that is being monitored.
- 1 5. The method of claim 1, including the additional steps of assigning a security identifier to
- 2 each derivative in the set of derivative and issuing the set of derivatives for receipt into
- 3 one or more customer accounts.
- 1 6. The method of claim 5, wherein the security identifier is a CUSIP number.
- 1 7. The method of claim 5, including the additional steps of continuously polling the
- 2 clearinghouse firm to confirm the continued presence of the collateral after issuance of
- 3 the set of derivatives.

- 1 8. The method of claim 7, wherein the security identifier is a CUSIP number.
- 1 9. The method of claim 1, wherein the collateral is a payable instrument selected from the
2 group of a bond and one or more accounts payable.
- 1 10. The method as in claim 9, wherein the collateral is the bond and wherein the set of
2 derivatives comprises a series of strips.
- 1 11. The method of claim 1, wherein the collateral is a payable instrument having a first value
2 and wherein the each derivative in the set of derivatives comprises a denomination less
3 than the first value.
- 1 12. The method of claim 1, wherein the custodian firm and the depository firm are the same
2 firm.
- 1 13. The method of claim 1, wherein the clearinghouse firm electronically advises the
2 custodian firm of the deposit.
- 1 14. The method of claim 1, wherein the depository firm prepares the set of derivatives to be
2 issued.
- 1 15. A method for the creation of backed derivatives, comprising the steps of:
2 (e) depositing a collateral having a first value in a clearinghouse firm;
3 (f) electronically advising a custodian firm of the deposit;
4 (g) preparing a set of derivatives to be issued, the set of derivatives having a second
5 value that matches the first value;
6 (h) monitoring in real-time for the continued presence of the collateral in the
7 clearinghouse firm; and
8 (i) authorizing a depository firm to issue the set of derivatives if the continued
9 presence of the collateral is confirmed.

- 1 16. The method of claim 15, wherein the monitoring step comprises transferring electronic
2 confirmations between the clearinghouse firm and the custodian firm, the electronic
3 confirmations confirming the continued presence of the collateral in the clearinghouse
4 firm.
- 1 17. The method of claim 16, wherein the authorizing step is performed if the electronic
2 confirmations indicate the continued presence of the collateral in the clearinghouse firm.
- 1 18. The method of claim 16, including the additional step of providing the electronic
2 confirmations to an insurance company for monitoring the first value of the collateral.
- 1 19. The method of claim 15, including the additional step of charging a commission for each
2 deposited collateral that is being monitored.
- 1 20. The method of claim 15, including the additional steps of assigning a security identifier
2 to each derivative in the set of derivative and issuing the set of derivatives for receipt into
3 one or more customer accounts.
- 1 21. The method of claim 20, wherein the security identifier is a CUSIP number.
- 1 22. The method of claim 20, including the additional steps of continuously polling the
2 clearinghouse firm to confirm the continued presence of the collateral after issuance of
3 the set of derivatives.
- 1 23. The method of claim 22, wherein the security identifier is a CUSIP number.
- 1 24. The method of claim 15, wherein the collateral is a payable instrument selected from the
2 group of a bond and one or more accounts payable.

- 1 25. The method as in claim 24, wherein the collateral is the bond and wherein the set of
2 derivatives comprises a series of strips.
- 1 26. The method of claim 15, wherein the collateral is a payable instrument having the first
2 value and wherein the each derivative in the set of derivatives comprises a denomination
3 less than the first value.
- 1 27. The method of claim 15, wherein the custodian firm and the depository firm are the same
2 firm.
- 1 28. The method of claim 15, wherein the clearinghouse firm electronically advises the
2 custodian firm of the deposit.
- 1 29. The method of claim 15, wherein the depository firm prepares the set of derivatives to be
2 issued.
- 1 30. A computer-implemented method for ensuring that an issuer continues to possess a
2 payable instrument, comprising the steps of:
3 (j) establishing a communication link between a custodian firm of the issuer and a
4 clearinghouse firm, the clearinghouse firm having a custodial account for the
5 issuer;
6 (k) polling the clearinghouse firm through the communication link as to whether the
7 issuer possesses the payable instrument in the custodial account;
8 (l) transferring an electronic confirmation from the clearinghouse firm to the
9 custodian firm across the communication link, the electronic confirmation
10 confirming the presence of the payable instrument in the custodial account of the
11 issuer; and
12 (m) repeating steps (a) through (c) throughout the trading day.

1 31. The method of claim 30, including the additional step of providing the electronic
2 confirmation to an insurance company.

1 32. The method of claim 30, wherein the payable instrument is selected from the group of a
2 bond and one or more accounts payable.

1 33. The method of claim 30, wherein a set of derivatives is derived from the payable
2 instrument and is issued to customers.

1 34. The method as in claim 33, wherein the payable instrument is a bond and wherein the set
2 of derivatives comprises a series of strips.

093413-081504
T09T00"24T"EE660